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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Review of Entries to the
Energy Resource Recovery Account (ERRA)
And Compliance Review of Electric Contract
Administration, Economic Dispatch of
Electric Resources, and Utility Retained
Generation Fuel Procurement Activities for the
Record Period of January 1 through December
31, 2005

(U 39 E)

Application 06-02-016

**OPENING BRIEF
OF PACIFIC GAS AND ELECTRIC COMPANY**

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Dated: August 25, 2006

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Review of Entries to the Energy Resource Recovery Account (ERRA) And Compliance Review of Electric Contract Administration, Economic Dispatch of Electric Resources, and Utility Retained Generation Fuel Procurement Activities for the Record Period of January 1 through December 31, 2005

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**OPENING BRIEF
OF PACIFIC GAS AND ELECTRIC COMPANY**

This is the third year of compliance review of Pacific Gas and Electric Company's (PG&E) electric contract administration, least-cost dispatch of electric resources, utility-retained generation fuel procurement activities and review of entries to the Energy Resource Recovery Account (ERRA), pursuant to Conclusion of Law 12 of Decision 02-10-062. The compliance reviews for the calendar years 2003 and 2004 record periods were addressed by the Commission in Decisions 05-04-036, 05-07-015, and 05-11-007.

As with the two previous proceedings, the only party other than PG&E to actively participate was the Commission's Division of Ratepayer Advocates (DRA).¹ PG&E submitted its application and prepared testimony on February 15, 2006 (The public version of PG&E's testimony became Exhibit 1 and the confidential, redacted version became Exhibit A.). After 4 months of obtaining responses to data requests, several meetings and discussions, and a facilities tour, DRA served its report on June 15, 2006. (A slightly amended version was served on June 16, 2006. The public version became

¹ On January 1, 2006, the Office of Ratepayer Advocates changed its name to the Division of Ratepayer Advocates. For convenience, the acronym "DRA" refers to the Office of Ratepayer Advocates prior to January 1, 2006, and to the Division of Ratepayer Advocates thereafter.

Exhibit 3 and the confidential version became Exhibit D.) PG&E served rebuttal testimony on July 6, 2004 (the public version became Exhibit 2 and the confidential version became Exhibit B), followed by a single morning of hearings on July 17, 2006. At the hearing, DRA used a confidential data response by PG&E for part of its cross examination, and the data response became Exhibit C. By the end of hearings, there was one real issue concerning whether PG&E followed least-cost dispatch principles on December 26, 2006; three semi-issues as to whether: (1) PG&E should engage an independent consultant to review PG&E hydroelectric generation models to provide comfort to DRA that they are working properly, (2) whether future amendments or modifications to Qualifying Facilities (QF) contracts should be reviewed in the quarterly procurement transactions advice letters or in these ERRA compliance applications, and (3) whether PG&E could redact portions of its Risk Management and Risk Policy Committee minutes that were not relevant to the ERRA compliance proceeding; a couple of recommendations for items to be included in future ERRA compliance testimony that PG&E agreed to; and two requests for additional information from the assigned Administrative Law Judge.

Except for the single disallowance recommendation involving December 26th, DRA found: (1) PG&E's QF contract administration was reasonable (Exhibits D (confidential version) and 3 (public version) (DRA), page 3-8; (2) PG&E prudently and diligently administered its non-QF contracts (Exhibits D and 3, page 4-1); Except for December 26th, DRA's review did not reveal any measurable deviation from least-cost dispatch requirements (Exhibits D and 3, page 5-1); PG&E is AB 57-compliant in the operation of its nuclear portfolio, in ancillary services procurement, and in fuel consumption practices (Exhibits D and 3, page 2-16); and no items of a material nature requiring adjustments to PG&E's ERRA balancing account were found (Exhibits D and 3, page 6-2).²

² DRA's report initially contained a recommendation that PG&E's operation and maintenance of its utility-retained generation facilities was unreasonable due to excessive outages. PG&E moved to strike that

I. ISSUES

A. PG&E Did Follow Least-Cost Dispatch Principles for December 26, 2005.

DRA alleges that when PG&E assumed that Diablo Canyon nuclear power plant would not be fully available when PG&E traded in the day-ahead electric market on December 21, 2006 for electricity deliveries on December 26, 2005, PG&E did not follow least-cost dispatch principles, resulting in a disallowance recommendation of \$263,000. Exhibits D and 3, pages 5-5 and 5-6 (DRA).³

The standard for review of least-cost dispatch is contained in Standard of Conduct 4, found at Conclusion of Law 11 of Decision 02-10-062:

4. The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner. Our definitions of prudent contract administration and least cost dispatch are the same as our existing standard.

Standard of Conduct 4 was refined to include the following guidance, at mimeo page 53 of Decision 02-12-074:

Prudent contract administration includes administration of all contracts within the terms and conditions of those contracts, to include dispatching dispatchable contracts when it is most economical to do so. In administering contracts, the utilities have the responsibility to dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs. Least-cost dispatch refers to a situation in which the most cost-effective mix of resources is used, thereby minimizing the cost of delivering electric services. PG&E's description of least-cost economic dispatch methodology described in its 1992 "Resource; An encyclopedia of energy utility terms,"

portion of DRA's report on June 29, 2006, and the motion was granted at the beginning of the hearings. Transcript, page 7. The ruling should be affirmed in the final decision in this proceeding.

³ DRA's recommended disallowance amount is premised on an assumption that PG&E would have sold 714 megawatts of capacity in the day-ahead market if PG&E had assumed Diablo Canyon was fully available. As discussed below, PG&E made a subsequent forecast on the morning of December 21, 2005 that indicated that only 400 megawatts of capacity could be sold if Diablo Canyon were assumed to be available. Using the later forecast would nearly halve the DRA disallowance recommendation.

2d edition, at pages 152-3 is appropriate with the recognition that a pure economic dispatch of resources may need to be constrained to satisfy operational, physical, legal, regulatory, environmental, and safety considerations. The utility bears the burden of proving compliance with the standard set forth in its plan.”

In Southern California Edison Company’s ERRA compliance proceeding (Application 05-01-054), covering the September 1, 2001 through June 30, 2003 record period, Edison described, and the Commission quoted, the following description of the standard of review:

[In the traditional reasonableness review] the Commission looks at a range of outcomes that a reasonable manager could have come to conclusion or an appropriate action to take. In other words, there is not a specific outcome that defines reasonableness. There’s a range of outcomes that defines reasonableness, and it’s based on what the manager knew or should have [known] at the time that the decisions were made. There’s no standard per se when you can measure the actions the utility took against the standard. And that’s what distinguishes an after-the-fact reasonableness review from our compliance review. Our compliance review in this ERRA proceeding with respect to Standard of Conduct 4 is a showing that demonstrates that we have operated our resources to produce the lowest possible cost for customers. – Decision 05-01-054, at mimeo page 14.

With the above as background, the facts underlying PG&E’s decisions on how to dispatch resources in the best interests of customers on the day-ahead trading day of December 21, 2006 for electricity purchased and consumed on December 26 demonstrate that PG&E acted in the best interest of customers, as shown in PG&E’s rebuttal testimony, Exhibits B (confidential version) and 2 (public version), pages 2-2 through 2-5, and Exhibit C, PG&E’s confidential May 1, 2006 data response to DRA also explaining what happened on December 21 and 26.

Here are the facts known to PG&E at the time:

1. December 26 was unusual in that it was the Monday following Christmas Day, and the Western Electricity Coordinating Council, which establishes the schedule for trading day, scheduled December 21, 2005 as the day-ahead trading day for transactions occurring on December 26, 2005. (The only comparable time of the year that regularly establishes day-ahead trading days that far in advance is the Thanksgiving holiday.) Trading five days in advance increases the uncertainty of the conditions that will exist on the transaction day.

2. On December 20 and 21, the Diablo Canyon nuclear power plant output was reduced by approximately 1,500 megawatts (75% of the plant's capacity) due to high sea swells generated by storms, which in turn churn up kelp on the San Luis Obispo coast, which can block the filter screens at the intake for the seawater cooling system for the plant.

3. The five-day forecast on December 21 for Christmas Day and the following several days was for more storms.

4. DRA acknowledges that the crux of its disallowance recommendation was PG&E's decision on December 21 as to whether to assume that Diablo Canyon would be fully available on December 26, or curtailed due to high sea swells. Transcript, page 27 (DRA, Ghazzagh); Exhibits 3 and D, pp. 5-5 and 5-6.

5. Rather than assume that a storm would come in and reduce Diablo Canyon output, PG&E assessed the potential consequences of either course of action. If PG&E assumed Diablo was fully available, an early modeling run concluded that PG&E could sell up to 714 megawatts of energy for the entire 24-hour period. A subsequent, more refined run indicated that 400 megawatts could be sold for the entire 24-hour period. Under both scenarios, PG&E would have still been required to buy some energy in the super-peak hours. In the alternative, had PG&E assumed that Diablo Canyon was fully available, and the predicted storm required curtailment of the plant, PG&E would have

had to purchase up to 2,100 megawatts in the hour-ahead market (1,500 megawatts to make up for the Diablo Canyon curtailment, and an additional 600 megawatts during the peak hours), a significant amount to purchase on short notice, particularly on a holiday when many generating resources may not be available.

6. Although the magnitude of the numbers alone indicated that PG&E would need to buy or sell in the short-term markets, the assessment concluded that it was much less risky for PG&E's customers to assume that Diablo Canyon would be curtailed on December 26th (thereby requiring a much smaller sale in the short-term market if the forecast was wrong than the purchases that would need to be made if PG&E assumed Diablo Canyon would be available and it was not). Moreover, PG&E took the further step of assessing the market for a sale in the day-ahead market. PG&E considered combinations of standard product light load sales and nonstandard peaking product purchases, as well as dispatch of PG&E's tolling agreement units, and could not find peaking products in the market for December 26 at prices that justified a light load sale at any level, nor could PG&E justify the commitment of tolling agreement units to support a sale, because a Diablo outage with those units committed would have left PG&E without sufficient capacity to meet demand. After reviewing the situation from those three levels of analysis, PG&E chose the least-cost dispatch alternative – to forego the sale of the 400 megawatts long position in the light load hours in the day-ahead market, as a hedge against possible curtailments of Diablo Canyon five days hence as a result of the forecasted storm. It was the best decision with the information known to PG&E at the time. Faced with the same information and the same fact situation, PG&E would do the same today as it did on December 21 and 26. Exhibits B and 2, pages 2-3 to 2-5.

7. What PG&E did not know then, and could not have known, is: (1) the forecasted storm did not hit on December 26th⁴; and (2) the price of gas dropped

⁴ Although a whopper of a storm did roll in a few days later, on New Year's Eve, that was sufficiently destructive to result in a disaster declaration by Governor Schwarzenegger that covered much of California,

dramatically, almost 25 percent, between December 21 and 26, making electricity purchases much cheaper on the 26th. It is only with perfect hindsight that we now know that PG&E's customers would have been better off if PG&E had chosen to assume that Diablo Canyon would be fully available on December 26th. However, given the facts known at the time, this does not make PG&E's decisions on December 21 either unreasonable or not in full accordance with the principles of least-cost dispatch. PG&E's dispatch decisions should be measured against the information known and knowable at the dispatch decision time, and not to perfect, after-the-fact hindsight.

B. Qualifying Facility Contract Amendments Should Not Be Subjected to a Second Review in the ERRA Compliance Review Proceedings.

DRA's summary of recommendations for QF contract management recommends that "any future contract amendments/modifications be reviewed through the ERRA application process, not through the quarterly compliance advice letter. Exhibits D and 3, page 1-2. The DRA QF contract management chapter makes a more specific, less general recommendation: "DRA recommends any future [QF] contract amendments/modifications be reviewed through the ERRA, through an exclusive application or exclusive advice letter process, rather than pursue approval through the established Procurement Transaction Quarterly Compliance Reports that PG&E filed as an Advice Letter." Exhibits D and 3, page 3-6.

DRA's report acknowledges that Decision 02-12-062, at mimeo page 48, notes that many types of actions require more involved procedures than simple inclusion of the change as a transaction includable in the quarterly compliance reports. To that end, the Commission has already established parameters for what types of QF contract modifications/amendments need to be reviewed in different levels of proceedings. Decision 04-12-048, at mimeo pages 107-108, found: "we authorize the utilities to enter

including San Luis Obispo County (see <http://gov.ca.gov/index.php/proclamation/565/>), and will be the subject of a Catastrophic Event Memorandum Account (CEMA) application by PG&E later this year.

into short-term, mid-term, and long-term contracts, with contract delivery start dates through 2014, provided that the IOUs submit the necessary compliance filings. Contracts with duration five years or longer be submitted with an application to the Commission for preapproval.” At mimeo pages 115-117 of Decision 04-12-048, the Commission restated the types of transactions that utilities were preauthorized to enter into, and that negotiated bilateral procurement contracts of up to three months durations were preauthorized, and that negotiated bilateral contracts of greater than three months required consultation with that utility’s Procurement Review Group.

With regard to the specifics of QF contract restructuring modifications and amendments, the Commission has also addressed the forums to be used for their approval in Decision 98-12-066, at mimeo page 15, by permitting the advice letter process to be used for restructured QF contracts that are supported by the utility, the QF and DRA, and an application process for controversial QF contract restructurings.

Also, the Commission has recently addressed the processes for approval contracts in D.04-12-048. Contracts with greater than a five-year term require an application whereas contracts with less than a five-year term can be addressed through an advice letter; the QF contract amendment/modifications entered into during the record period all met the less than five-year term and thus, were submitted for approval via an advice letter, specifically PG&E’s quarterly procurement transaction compliance advice letter..

PG&E continues to follow the approved process for QF contract amendments and modifications and sees no reason to change that process. PG&E uses the application, advice letter and consultation with the Procurement Review Group processes as appropriate. Decision 02-10-062 reiterates the idea that “[o]nce a utility’s short-term procurement plan is approved, all transactions entered into in compliance with the procurement plan should be filed for tracking purposes in a quarterly advice letter with the Commission Energy Division” Decision 02-10-062, at mimeo page 46. Thus, QF contract amendments and modifications order by the Commission that show up for the

first time in the quarterly procurement transaction advice and that are in compliance with the approved procurement plan, should be deemed approved, which is exactly what the scope of review of the quarterly advice letter is supposed to be. This is precisely the “upfront achievable standards and criteria by which the acceptability and eligibility for rate recovery of a proposed procurement transaction will be known by the electrical corporation prior to the execution of the bilateral contract for transaction” contemplated by Public Utilities Code Section 454.5(c)(2), and the elimination of the need for after-the-fact reasonableness reviews of a utility’s electricity procurement contracts, as contemplated by Public Utilities Code Section 454.5(d)(2).

PG&E’s rebuttal testimony, Exhibits B and 2, also discusses, at pages 1-6 and 1-7, the timing issues associated with first reviewing the appropriateness of short-term transactions in an annual proceeding. PG&E would not go forward with contract amendments without knowing they were satisfactory to the Commission. Many short-term transactions would be completed long before the annual review in an ERRRA compliance proceeding would take place. The procurement framework established in Public Utilities Code Section 454.5 does not contemplate leaving utilities in a state of uncertainty as to whether their short-term transactions are considered appropriate by the Commission until long after the transaction has been completed and finished. DRA has presented no compelling reasons why the current methodology for reviewing and approving QF contract amendments and modifications should be changed. Its recommendation should not be adopted.

C. The Commission Should Order an Independent Review of PG&E’s Hydro Models Only if it is Convinced that Raising DRA’s Comfort Level with the Models is Worth the Expense of the Review

At page 2-3 of Exhibits D and 3, DRA recommends that PG&E’s hydroelectric generation models be evaluated by an independent auditor, to help ensure accuracy and

verify that model assumptions are reasonable and consistent with industry best practice.⁵

At the highest level, PG&E's hydro models perform conceptually simple operations that input precipitation forecasts to predict streamflows, and then take these streamflows and input price forecasts to come up with the best time and level of generation, given the limited water available. Complexity arises because of the large number of generating units, the elevations and soil characteristics of the watersheds that vary considerably from area to area, the stochastic (probabilistic) nature of the scheduling task, and the many unique constraints on such things as safety, Federal Energy Regulatory Commission license requirements, water delivery contracts, winter storm responses, environmental compliance, coordination with upstream and downstream water users and timing of the conveyance in water diversion systems associated with the configuration of each plant.

PG&E is confident that its hydro models perform their intended function accurately and are consistent with industry best practice. Exhibits B and 2, pages 2-9 and 2-10. In response to DRA concerns from last year's ERRA compliance review proceeding, PG&E performed a study to validate the models in this year's proceeding. That study, reported at Appendix A to Chapter 2 of PG&E's Exhibit A, concludes that discrepancies between forecasted generation and actual generation are almost entirely due to differences in the input assumptions for precipitation and prices between the long-term forecasts and the actual prices and precipitation levels.

It would clearly be desirable for DRA to also feel comfortable with the models. The dilemma is that it is not clear that anyone at DRA has the modeling expertise to

⁵ Beginning on page 2-3, through page 2-5 of DRA's Exhibits D and 3, DRA recommends that PG&E participate in a benchmarking study of its hydroelectric generation operations. While it may make sense for PG&E to engage in benchmarking at an appropriate time as part of an appropriate proceeding, with the striking of DRA's testimony on the reasonableness of PG&E's hydroelectric generation operations, it is clear that this is not the proceeding to address the issue. For the proceeding in which the issue is relevant, PG&E's rebuttal testimony, Exhibits B and 2, at pages 4-15 to 4-17, identifies some of the issues that should be raised in that other proceeding before DRA's specific recommendations for a benchmarking comparator group should be adopted.

enable DRA to get to a comfortable level. Transcript, pages 39-40 (DRA, Hines). The ultimate question for the Commission to decide is whether achievement of a comfort level is worth the cost of the independent evaluation. As a possible less-costly solution, PG&E suggests another attempt to sit down with DRA representatives, preferably its most tech-savvy members, to walk through the models again and explain their operation. If that fails, and the Commission believes that DRA's comfort level is worth the cost of an independent evaluation, PG&E has no objection to one. If the Commission does desire an independent evaluation, the Commission could authorize the cost of the evaluation to be charged to the ERRA balancing account.

D. PG&E Should Not Have to Provide Risk Management and Risk Policy Committee Minutes That Are Not Relevant to this Proceeding.

At page 5-3 of Exhibits D and 3, DRA notes that DRA requested the minutes of PG&E's Risk Management and Risk Policy Committee. PG&E provided all minutes that were relevant to the ERRA compliance review, but redacted portions that were subject to the attorney-client privilege, a specific confidentiality agreement with one supplier, or had nothing to do with electric procurement. PG&E addressed DRA's request at pages 1-8 and 1-9 of Exhibits B and 2. PG&E believes that it has legitimate reasons for withholding information that is outside the scope of DRA's work in this proceeding, or is privileged information, but the bottom line is that the Commission has established procedures for resolving discovery disputes, and those processes should be followed, rather than a blanket assertion that the Commission should order a utility to provide any information DRA requests.

II. NON-ISSUES – DRA REQUESTS FOR ADDITIONAL INFORMATION IN FUTURE PROCEEDINGS WITH WHICH PG&E HAS AGREED

A. Self-Provision of Ancillary Services

On page 2-15 of DRA's report, Exhibits D and 3, DRA requested that PG&E provide more data on ancillary services. On page 2-12 of PG&E's rebuttal testimony,

Exhibits B and 2, PG&E agreed to do so as part of the master data request response.

B. Contract Dispute Log Book

On page 4-11 of Exhibits D and 3, DRA recommends that when PG&E submits its dispute template and logbook for its annual compliance certification, the documents should be accompanied by sufficient annotations to identify and explain any and all deviations from the recommendations made by DRA and DRA's consultant in prior proceedings. PG&E's rebuttal, Exhibits B and 2, at pages 3-4 through 3-6, notes that PG&E has developed a contract dispute template, which has been shared with DRA, and we will provide a filled-in template as part of the master data request when there is a contract dispute in future proceedings, as well as descriptions of any disputes in ERRA compliance testimony. As to the requests to make the dispute logbook part of the "annual compliance certification" and annotate any deviations from DRA or its consultant's report, PG&E notes that after PG&E commented on the consultant's report in last year's proceeding, DRA agreed that the consultant's recommendation was too vague to be adopted, and requested PG&E to comment on any future recommendations. PG&E agreed, but we have not received anything since to comment on. We continue to be ready to respond to any new recommendations, but have no plans to explain deviations from recommendations that even DRA has acknowledged were too vague. Secondly, disputes have reached the stage of active litigation, and PG&E will not provide annotations or speculation on potential dispute resolutions that could contravene the dispute negotiations or otherwise jeopardize the case strategy.

C. Enviance Task Management System

On page 4-11 of Exhibits D and 3, DRA recommends that PG&E report in its next ERRA compliance filing on changes and improvements in PG&E's use of the Enviance

Task Management computer program to aid in administering contracts. On page 3-7 of Exhibits B and 2, PG&E agreed to do so.⁶

D. Developing a Benchmark for Assessing Spot Transactions.

At page 5-6 of Exhibits D and 3, DRA recommends that PG&E and DRA work together to try to develop a benchmark for assessing hour-ahead transactions. DRA notes that such a recommendation has already been adopted for Southern California Edison Company. See Ordering Paragraph 3 of Decision 06-01-007. Although PG&E expressed numerous reservations about whether a reliable, meaningful benchmark can be established for the hour-ahead market, PG&E did express its willingness to work with DRA (and perhaps the other major California electric utilities to develop a single benchmark methodology) to explore whether a benchmark for the hour-ahead market could be developed. Exhibits B and 2, pages 2-5 through 2-7.

III. ALJ REQUESTS

At Transcript page 43, the assigned Administrative Law Judge requested that two additional items be addressed in the opening briefs:

A. 2005 Trigger Amount

The authorized ERRRA trigger amount for 2005 was \$190.5 million through May 9, 2005, and \$164.4 million thereafter. The trigger amount was calculated in PG&E's advice letter 2646-E, submitted April 1, 2005, and approved by a July 12, 2005, letter from the Director of the Energy Division.

B. Applicability of Confidentiality Decision 06-06-066 to the Redacted Information in this Proceeding

At page 43 of the Transcript, Assigned Administrative Law Judge Galvin asked the parties to brief how the Commission should deal with the unredacted information in

⁶ On page 4-11 of Exhibits D and 3, DRA also made a request for additional information on PG&E's employee performance incentive plan, but that request was withdrawn at the hearing. Transcript, page 22 (DRA, Ghazzagh).

Exhibits A, B, C, and D in this proceeding.⁷ At the time that the application was filed, PG&E followed the then-applicable procedural process for protecting sensitive information by filing concurrent motions for a protective order and leave to file under seal. A March 3, 2006 Administrative Law Judge's Ruling granted the motion to file under seal and, rather than granting the motion for protective order, ordered PG&E to work with any third party requesting access to confidential information on a mutually-acceptable protective agreement, with intervention by the Commission only if agreement cannot be reached and there was an active discovery dispute. As it turned out, no party (other than DRA) requested access to the redacted material.

The redacted material clearly relates to PG&E's procurement of electricity and gas for electric resources, so the provisions of the Commission's confidentiality Decision 06-06-066 apply to the type of data that was redacted. See Decision 06-06-066, at mimeo page 19.

The confidential material contained in PG&E Exhibits A, B, C and D includes both historical data, which is protected for one year pursuant to Sections I (B)(2) and X of Appendix I to D. 06-06-066, and the type of data included in the "Energy Division Monthly Data Request (AB 57)" in Part XIII of the IOU Matrix at Appendix 1 of Decision 06-06-066, which is confidential for three years. Also included in those Appendices is data which is related to PG&E's net open position, which is confidential for three years pursuant to Section VI of Appendix 1 to Decision 06-06-066. For all types of data, the confidential period applicable to that data should run from the date the Commission issues a final, unappealable decision in this proceeding.

⁷ Technically, only Exhibit A was filed under seal as it was the only exhibit submitted to the Commission's docket office, prior to the resolution that clarified that testimony accompanying an application was not to be filed. Exhibits B, C, and D were served only on DRA, PG&E and the assigned Administrative Law Judge.

IV. CONCLUSION

The Commission should find that PG&E was in compliance with its approved 2005 electric procurement plan in its electric contract administration, least-cost dispatch and utility-retained generation fuel expense activities. The final decision should also find that no items of a material nature requiring adjustments to PG&E's ERRRA balancing account were found, and that DRA noted no exceptions to the recovery requirements adopted by the Commission.

Respectfully Submitted,

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By: _____ /s/
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August 25, 2006

Attorneys for
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CERTIFICATE OF SERVICE BY HAND DELIVERY OR ELECTRONIC MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department, PO Box 7442, San Francisco, CA 94120.

On the 25th of August, 2006, I served a true copy of:

OPENING BRIEF OF PACIFIC GAS AND ELECTRIC COMPANY

by hand delivery to the following:

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and

by electronic mail for all those on the official service list for A.06-02-016 who have provided an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on the 25th day of August, 2006.

/s/

MARY B. SPEARMAN

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA SERVICE LIST

Downloaded August 25, 2006, last updated on July 14, 2006

Commissioner Assigned: Michael R. Peevey on March 3, 2006; ALJ Assigned: Michael J. Galvin on March 3, 2006

CPUC DOCKET NO. A0602016

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